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Attorneys for Defendants K-M Industries Holding Co. Inc.; K-M Industries Holding Co. Inc. ESOP Plan Committee; and CIG ESOP Plan Committee

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

OAKLAND DIVISION

THOMAS FERNANDEZ, LORA SMITH and TOSHA THOMAS individually and on behalf of a class of all others similarly situated, Plaintiffs, v. K-M INDUSTRIES HOLDING CO., INC., *et al.*, Defendants.	Case No. C06-07339 CW **[REDACTED] DECLARATION OF STEPHEN FERRARI IN SUPPORT OF MOTION FOR SUMMARY JUDGMENT BY DEFENDANTS K-M INDUSTRIES HOLDING CO., INC., K-M INDUSTRIES HOLDING CO. INC. ESOP PLAN COMMITTEE AND CIG ESOP PLAN COMMITTEE** Hearing Date: July 31, 2008 Hearing Time: 2:00 p.m. Courtroom: 2, 4th Floor Judge: Hon. Claudia Wilken

I, Stephen Ferrari, hereby declare:

1. I am Stephen Ferrari. Commencing in 1993 I was employed by Kelly-Moore Paint Company, Inc. ("Kelly-Moore"). I began my employment as the corporate controller. After a few years I was made the vice president of finance and also held the title as Chief Financial Officer

("CFO") and secretary treasurer for the Company. I held those positions until I terminated my employment in October 2003. I have personal knowledge of the facts stated herein, and if called as a witness, I would and could testify with respect thereto.

2. I submit this Declaration in support of the concurrently-filed Motion for Summary Judgment by defendants K-M Industries Holding Co., Inc., K-M Industries Holding Co., Inc. ESOP Plan Committee and CIG ESOP Plan Committee.

3. I graduated with a B.S. degree from Santa Clara University in 1979. I then earned a CPA certificate and became an auditor for Ernst & Young where I remained until 1993, at which time I joined Kelly-Moore.

4. Attached hereto as Exhibit 1 is a true and correct copy of the Kelly-Moore Paint Company, Inc. Resolutions Authorizing Execution and Implementation of Employee Stock Ownership Plan, effective September 30, 1998. A certificate stating that the resolution was adopted by the Board of Directors is signed by me.

5. In the 1990's, the Company was a defendant in a large number of asbestos related lawsuits. The suits were being defended and settled by the Company's insurance carriers. The Company had numerous layers and levels of primary and excess insurance coverage in amounts of hundreds of millions of dollars to protect its assets against asbestos claims. During the mid-1990's, the Company was using Pillsbury, Levinson & Mills, LLP, specifically to monitor and manage the asbestos litigation and to act as coverage counsel. The lawyer primarily responsible for performing these services was Cheryl Mills as lead counsel until she was appointed to a Judgeship in the Contra Costa Superior Court.

6. I received oral and copies of written communications from Judge Mills regarding the number and value of asbestos claims against the Company and the adequacy of insurance proceeds to protect company assets.

7. During my tenure as CFO for the Company I was sent copies of Ms. Mills annual letters to the Company's auditors, Ernst & Young, regarding pending claims against the Company. On February 16, 1998, Ms. Mills reported to the auditors [redacted] A true and correct copy of the February 16, 1998 letter from Cheryl Mills to Ernst & Young is attached hereto and made a part hereof as Exhibit 2.

8. On October 1, 1998, while the Kelly-Moore appraiser, B. J. Brooks, was updating his appraisal for purposes of the ESOP transaction, the then president of the Company, Joseph Cristiano, and I telephoned Ms. Mills [redacted] Soon after that conversation, I wrote a memorandum to memorialize the contents of the call. A true and correct copy of the contemporaneous memorandum that I wrote and that has been retained by the Company with its business records is attached hereto and made a part hereof as Exhibit 3.

9. I was actively involved in the selection of Mr. Brooks as the independent appraiser of the value of Kelly-Moore for purposes of the ESOP transaction. Prior to the selection of Mr. Brooks I conducted due diligence to determine who should be retained for that purpose. After considering other appraisers and verifying Mr. Brooks references for the assignment, I recommended that Mr. Brooks be retained based upon his experience, and in particular his experience in valuing other paint companies.

10. While Mr. Brooks was working on his appraisal during July through October 1998, I supplied him with documents that he requested, responded to his many questions and met with him personally during his inspections at the Company. I wanted to make sure that Mr. Brooks was

informed about information that might effect his appraisal. I specifically remember discussing with him the large number of asbestos claims and the insurance coverage for those claims. I wanted to make sure that Mr. Brooks was fully informed about the asbestos litigation, and I recall telling him that [redacted]

11. In December 1998, the Company president Joseph Cristiano forwarded a copy of the December 11, 1998 letter that he received from our attorney, Cheryl Mills. In that letter Ms. Mills [redacted] Ms. Mills stated as her conclusion: [redacted] A true and correct copy of the December 11, 1998 letter from Cheryl Mills to Joseph Cristiano is attached hereto and made a part hereof as Exhibit 4.

12. In early 1999, Mr. Robert Ireland performed the 1998 year end appraisal of Kelly-Moore. I followed similar due diligence procedures in the selection process for Mr. Ireland with all of the documents he requested, answered his inquiries and met with him when he inspected the premises. I recall that I discussed the Company's asbestos litigation and the insurance coverage with Mr. Ireland to make sure that he was aware of the situation before he completed his work.

13. During the time that I served as Company CFO, one of my duties was to communicate important information to the ESOP participants that might effect the value of their shares. My goal was to communicate transparently with the participants and to provide them with the unvarnished facts. In particular, I did my best to keep them informed concerning the Company's asbestos problems.

14. Between March 1999 and the date that I terminated my employment at Kelly-Moore in October 2003, I was the author of "Mind Our Own Business," an in-house newsletter distributed

to ESOP participants in order to share financial strategic and other important news that the Employee-participants should know about the Company. I wrote the contents and regularly distributed the newsletter to ESOP participants after consulting with senior management, including the company's President, Joseph Cristiano. I do not recall any instance in which my writing was altered or censored for the purpose of withholding information from the ESOP participants.

15. The Company's involvement with the asbestos litigation was no secret and was widely known and talked about by the Company's employees. The first newsletter communication to ESOP participants that mentioned the asbestos issue occurred in May 2001, when the Company advised Kelly-Moore ESOP participants that their share price could be adversely affected by "product liability issues such as asbestos litigation.". Attached hereto as Exhibit 5 is a true and correct copy of the "Mind Our Own Business" newsletter dated May, 2001, which I caused to be sent to the ESOP participants.

16. The next communication distributed to the participants concerning the asbestos situation occurred in the next "Mind Our Own Business" newsletter, issued in October 2001. In August 2001, Kelly-Moore sustained a shocking $55 million jury verdict in a Texas asbestos case ("*Hernandez*"). The case was quickly settled for a fraction of that amount, but it was a watershed event for the Company and its counsel. At the same time, the Company's insurers began to aggressively resist coverage. It seemed that Kelly-Moore suddenly and unexpectedly had become a prime target asbestos defendant. The October 2001 "Mind Our Own Business" referenced the *Hernandez* verdict, noted the Company's insurance coverage, expressed by Company's determination to defend itself and cautioned that asbestos litigation "continues to be a concern to the financial health and the stock price of the Company". .". Attached hereto as Exhibit 6 is a true and correct copy of the "Mind Our Own Business" newsletter dated October, 2001, which I caused to be sent to the ESOP participants.

17. The next "Mind Our Own Business," issued in December 2001, continued to provide information about the asbestos situation, explained the settlement that had occurred in the

Hernandez case, and again cautioned the ESOP participants that "the Company continues to work very hard to defend itself against asbestos litigation, but such litigation continues to be a concern to the financial health and the stock price of the Company." .". Attached hereto as Exhibit 7 is a true and correct copy of the "Mind Our Own Business" newsletter dated December, 2001, which I caused to be sent to the ESOP participants.

18. The "Mind Our Own Business" issued during February 2002 continued to provide specific information about the asbestos situation: "Asbestos litigation continues to challenge the Company. The Company continues to fight or settle the lawsuits where appropriate. In the final quarter of 2001, over $10 million was paid out with respect to asbestos claims. These costs have been covered by the company's insurance policies. The Company is vigorously proceeding against its various insurance carriers to assure coverage for these asbestos related claims. The newsletter continued: "As the asbestos litigation continues against the Company, our current belief is that the litigation <u>is likely to depress the stock price of the Company, which would affect the value of your ESOP account</u>. (Emphasis added.) .". Attached hereto as Exhibit 8 is a true and correct copy of the "Mind Our Own Business" newsletter dated February, 2002, which I caused to be sent to the ESOP participants.

19. The June 2002 "Mind Our Own Business" was issued, informed the participants that the share value of the ESOP shares had decreased. Asbestos litigation was given as one of the factors for the reduced share price. Participants were warned that the "ultimate value" of their ESOP shares continues to be at risk "due to substantial ongoing asbestos litigation," and that "depending on the results of this litigation, there could be a severe effect to the value of the shares, " and the participants were advised to consider "diversification" of their retirement assets by not having all assets in the ESOP. .". Attached hereto as Exhibit 9 is a true and correct copy of the "Mind Our Own Business" newsletter dated June, 2002, which I caused to be sent to the ESOP participants.

20. The next newsletter, issued in October 2002, continued the pattern of full disclosure of the asbestos situation, informed the participants that there were over 30,000 claims against the

company, and that the company's insurance coverage was being "consumed" at a rapid rate. The newsletter warned that "these challenges are taking a large toll on cash and profits and are likely to have a major effect on the value of the shares held by the ESOP." Attached hereto as Exhibit 10 is a true and correct copy of the "Mind Our Own Business" newsletter dated October, 2002, which I caused to be sent to the ESOP participants.

21. The December 2002 "Mind Our Own Business" repeated the warning that the asbestos litigation was "likely to have a major effect on the value of the shares held by the ESOP," going on to again state that because "the ongoing asbestos litigation represents significant risk that could adversely affect the ESOP value, participants should consider not having all of their retirement assets in the ESOP. .". Attached hereto as Exhibit 11 is a true and correct copy of the "Mind Our Own Business" newsletter dated December, 2002, which I caused to be sent to the ESOP participants.

22. The July 2003 issue of "Mind Our Own Business" repeated the warning that the ongoing asbestos litigation could have a "further severe effect" on the value of the participants ESOP shares. It also notified the participants of the appointment of North Star as the new independent ESOP Trustee. Attached hereto as Exhibit 12 is a true and correct copy of the "Mind Our Own Business" newsletter dated July, 2003, which I caused to be sent to the ESOP participants.

23. In 2003, the Company continued its policy of keeping the participants fully informed about the asbestos situation. The September 2003 "Mind Our Own Business" emphasized that "overall profit is still being weighed down by settlements and defense costs and other legal costs relating to asbestos litigation." A long discussion of the asbestos situation, detailed the number of claims and the consumption of the insurance coverage, and again warned that the asbestos cases "are likely to have a major effect on the value of the shares held by the ESOP. Attached hereto as Exhibit 13 is a true and correct copy of the "Mind Our Own Business" newsletter dated September, 2003, which I caused to be sent to the ESOP participants.

24. As the asbestos situation worsened, Ms. Mills' yearly letters to the company's auditors reflected this situation. In her letter of February 26, 2002, a copy of which was sent to me,

she told the auditors that [redacted] A true and correct copy of the February 26, 2002 letter from Cheryl Mills to Ernst & Young is attached hereto and made a part hereof as Exhibit 14.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed at San Jose, California this 20th day of June 2008.

/s/
Stephen Ferrari

EXHIBIT 1

KELLY-MOORE PAINT COMPANY, INC.

RESOLUTIONS AUTHORIZING EXECUTION AND IMPLEMENTATION OF EMPLOYEE STOCK OWNERSHIP PLAN

The Chairman reported that an Employee Stock Ownership Plan had been developed to qualify as an Employee Stock Ownership Plan under Section 401(a) as defined by Section 4975(e)(7) of the Internal Revenue Code. The Chairman distributed to each member of the Board copies of the Plan and Trust Agreement and recommended that they be adopted by the Company, effective as of January 1, 1998. After discussion and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the Employee Stock Ownership Plan and the Trust Agreement, in substantially the forms submitted to this meeting, be, and they hereby are, adopted effective as of January 1, 1998; and it was further

RESOLVED, that the appropriate officers of the Company be, and they hereby are, authorized and directed to submit to the Internal Revenue Service the Employee Stock Ownership Plan, Trust Agreement and other documents relating to the adoption of the Plan with their request that the Internal Revenue Service issue a Determination Letter that the said Plan is a qualified plan under Section 401(a) of the Internal Revenue Code; and it was further

RESOLVED, that the following be, and he hereby is, designated as Trustee of the Employee Stock Ownership Plan:

William E. Moore

and it was further

RESOLVED, that the President or a Vice President and the Secretary or an Assistant Secretary of the Company be, and they hereby are, authorized and directed to execute the Employee Stock Ownership Plan and the Trust Agreement on behalf of the Company and to obtain an execution of the Trust Agreement by the Trustee; and it was further

EXHIBIT 1

KELLY-MOORE PAINT COMPANY, INC.

RESOLUTIONS AUTHORIZING EXECUTION AND IMPLEMENTATION OF EMPLOYEE STOCK OWNERSHIP PLAN

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RESOLVED, that the following be, and he hereby is, designated as Trustee of the Employee Stock Ownership Plan:

William E. Moore

and it was further

RESOLVED, that the President or a Vice President and the Secretary or an Assistant Secretary of the Company be, and they hereby are, authorized and directed to execute the Employee Stock Ownership Plan and the Trust Agreement on behalf of the Company and to obtain an execution of the Trust Agreement by the Trustee; and it was further

RESOLVED, that the following is hereby designated as a member of the Committee to administer the Employee Stock Ownership Plan:

William E. Moore

and it was further

RESOLVED, that the following Companies be, and they hereby are, designated as Employers to participate in the Kelly-Moore Paint Company, Inc. Employee Stock Ownership Plan as of January 1, 1998, subject to appropriate action by their respective Boards of Directors: (i) to accept such designation, and (ii) to adopt the Employee Stock Ownership Plan and agree to be bound by its terms:

K-M Universal Paint Company, Inc.
Preservative Paint Co.
Premier Drywall Tool Co.

and it was further

RESOLVED, that a copy of the Employee Stock Ownership Plan and the Trust Agreement be attached to and made a part of the Minutes of this meeting; and it was further

RESOLVED, that the appropriate officers of the Company be, and they hereby are, authorized and directed to do any and all things necessary to implement the establishment of the Plan and to carry out the intent of the foregoing resolutions.

CERTIFICATE

I, Stephen A. Ferrari, hereby certify that I am the duly appointed and acting Secretary of Kelly-Moore Paint Company, Inc. and that the above resolutions are a true and correct copy of resolutions duly adopted at a meeting of the Board of Directors held on the 30th day of September, 1998, at which meeting a quorum was at all times present and acting, and that said resolutions are still in full force and effect.

Date September 30, 1998

By Stephen Ferrari
Stephen A. Ferrari, Secretary
Kelly-Moore Paint Company, Inc.

EXHIBIT 2

DECLARATION OF STEPHEN FERRARI

IN SUPPORT OF MOTION FOR SUMMARY JUDGMENT BY DEFENDANTS K-M INDUSTRIES HOLDING CO., INC., K-M INDUSTRIES HOLDING CO. INC. ESOP PLAN COMMITTEE AND CIG ESOP PLAN COMMITTEE

Exhibit 2

ENTIRE DOCUMENT SUBMITTED UNDER SEAL

CIVIL L.R. 79-5(b)

(BATES #KMH 007204 - KMH 007205)

EXHIBIT 3

DECLARATION OF STEPHEN FERRARI

IN SUPPORT OF MOTION FOR SUMMARY JUDGMENT BY DEFENDANTS K-M INDUSTRIES HOLDING CO., INC., K-M INDUSTRIES HOLDING CO. INC. ESOP PLAN COMMITTEE AND CIG ESOP PLAN COMMITTEE

Exhibit 3

ENTIRE DOCUMENT SUBMITTED UNDER SEAL

CIVIL L.R. 79-5(b)

(BATES #KMH 010997)

EXHIBIT 4

DECLARATION OF STEPHEN FERRARI

IN SUPPORT OF MOTION FOR SUMMARY JUDGMENT BY DEFENDANTS K-M INDUSTRIES HOLDING CO., INC., K-M INDUSTRIES HOLDING CO. INC. ESOP PLAN COMMITTEE AND CIG ESOP PLAN COMMITTEE

Exhibit 4

ENTIRE DOCUMENT SUBMITTED UNDER SEAL

CIVIL L.R. 79-5(b)

(BATES #KMH_ESI00006668 [6 PAGES])

EXHIBIT 5

ESOP

_OYEE STOCK OWNERSHIP PLAN

KELLY-MOORE PAINTS™

MIND OUR OWN BUSINESS

Volume III, Issue 1 May, 2001

Mind Our Own Business is the Newsletter for participants in the K-M Industries Holding Co., Inc. Employee Stock Ownership Plan for Kelly-Moore Paint Company, Inc.

ENERGY ISSUES AFFECT YOU AND YOUR COMPANY

Energy costs are up significantly at Kelly-Moore. This cost category shows the second largest cost increase in 2001 behind employee wage expense. In addition, in California we expect to have severe power shortages that will probably require some conservation measures this summer. Many of you have been challenged to come up with creative ways to save energy. Some of those ways in California may even include, for example, turning off half the lights or severely reducing or turning off the Air Conditioning during peak periods. Attached is a list of additional items that can be considered if applicable, to save energy costs anywhere in the Company. Any dollar saved on an energy bill can increase profits and potentially have an effect on the stock price.

STRIKE TEAMS VISIT KELLY-MOORE STORES

Kelly-Moore created Strike Teams where employees from various areas of the Company have gone to stores that were in a loss position in 2000 to help turn these losses to profits. Initial visits have occurred and reports and suggestions for profits have been submitted. Now it is time to make sure all of the worthwhile suggestions get appropriately implemented so that we see the losses turn into profits. You can assist by 1) helping out at your store while one of your store members is away on a future strike team visit, 2) Assisting a strike team if they come to your store to make their visit the most productive as possible and 3) Keeping an open mind and seriously implementing suggestions to make a store profitable. Profitability of all stores is important to all of us as ESOP shareholders.

NEW STORES

Opened since the last report were Napa, CA in April 2001 and San Francisco-Taraval and Sonora, CA in May 2001. This gives us 161 stores currently. Sales appear to be brisk at these new locations. Increased sales will hopefully bring increased profits to these areas. Currently we are working to open a store in Elk Grove, CA late this summer.

EXHIBIT
189
Thomas 4-18-08

KELLY-MOORE PAINT COMPANY FINANCIAL NEWS

Sales through December of 2000 including the Kelly-Moore Ponderosa acquisition were up approximately 5% over the same period in 1999. Sales on the rest of the Company without counting our Kelly-Moore Ponderosa acquisition were only up approximately 1% over the same period in 1999. Operating Profit (profit before interest, taxes and ESOP contribution) in 2000 was down by about 17% from 1999. Reasons for the profit decline included: 1) Declining sales at the end of the year, 2) Kelly-Moore Ponderosa Division that didn't yet have margins and profits up to K-M Standards, 3) Pricing and Inventory issues at the Desert District and Guam and 4) Loss stores continued drag on profits. Remember that profits are one of the key items that affect your share price. Other items that may also affect your share price include valuations of other paint companies, our asset and debt levels and product liability issues such as asbestos litigation. Through March 2001, sales are up about 7% including Kelly-Moore Ponderosa. Sales on the remainder of Kelly-Moore without Kelly-Moore Ponderosa is up only about 1%. You can make a difference whether it is on energy usage, bringing in one more sale, or being on strike teams or supporting your team members that are on strike teams helping other stores.

2000 STATEMENTS

We continue to work on the many documents required to get the yearly ESOP statements out. We expect statements to be out summer, 2001. Remember that we expect to use dividends again in 2001, and that contributions in 2001 to the 401k Plan of up to 10% of your salary should not have a limiting effect on the ESOP contribution that you will get. This will change in future years, where contributions to the 401k Plan may limit your ESOP contribution.

QUESTIONS AND ANSWERS

Question: What is the cost to the employee for the ESOP?

Answer: There is no cost to the employee. Nothing is deducted from your paycheck. The Company contribution is an amount over and above your earnings.

Question: How is my share of the ESOP contribution determined?

Answer: The contribution each year will be divided among the eligible participants in the proportion that each participant's compensation is to the total compensation of all participants.

Please send any questions that you may have to Personnel Department – ESOP at Corporate Office.

The Long-Term: It's Not What It Used to Be

The English economist John Maynard Keynes gained considerable influence by urging governments to spend more money to help ease the problems of recessions and depressions. Derided by critics who said he was elevating short-run concerns over long-term structural issues, Keynes famously retorted that "in the long run, we are all dead."

Even Keynes, however, would no doubt be shocked at how so many institutions in our economy have become focused on the extremely short-term. At the extreme are day traders, busily buying and selling stocks on the Internet looking for momentary movements to pounce on. A step above are the MSNBC types, opining endlessly (and often incorrectly) about what will happen to the stock market tomorrow, a horizon of concern that can only matter to a relative handful of investors. Then there are all the economic pundits proclaiming that the stock market is down (or up) and that we are in for a prolonged period of whichever direction that is. By prolonged, they mean the next quarter or, for the far-sighted, perhaps the next year.

It isn't just stock market types whose time perspectives have changed, though. Internet companies are born, get financed, go public, and are sold, merged, or disappear all within a few years. Employees often think that a few or several years with a company is a long tenure, although most spend much longer with their employer than they ever thought they would. Our personal lives are compressed as well. Waiting a few seconds for our computer to respond seems like an eternity. Faxes, cell phones, Federal Express, emails, and other communications tools make anything other than almost instant access seem like slow torture.

This compression of the long term raises important issues for employee ownership and employee ownership companies. Consider, for example, employees with stock options. To be sure, a small minority of the millions of employees with options work for the volatile start-up technology companies where a few years really is forever. But the large majority of option holders work for stable, mature companies.

> *ESOP participants and most option holders in most companies would be better off simply to filter out what is happening to the stock market on a day-to-day basis.*

Their options have 10-year lives, and they are likely to get more options in the future. So even if their companies' share prices drop dramatically, there is a very good chance that eventually many of their options will have some value, and/or that they will get new options at the lower price that eventually will be worth a great deal. But meanwhile, it is hard to filter out all the noise saying that options aren't worth much anymore because the market is down. In fact, only those options that are about to expire, or are priced at a multiple of the current stock price, are likely to be worthless.

For employees in ESOPs, focusing on short-term changes in stock prices, or even year-to-year fluctuations, is even more misleading. ESOP participants typically get new shares contributed every year and will not get a payout until they leave the company or can diversify part of their account balance at age 55. For them, the truly long-term is the only thing that matters unless they are near a point when they are going to be paid out. Both these ESOP participants and most option holders in most companies would be better off simply to filter out what is happening to the stock market on a day-to-day, week-to-week, or month-to-month basis and focus instead on what is going to happen over the next year or the next several years.

This is especially true when you consider what causes a company's stock price, and the market in general, to move over the short term (days, weeks, and months) and the long term (years). Day-to-day, the market can fluctuate madly based on what Alan Greenspan had for lunch. Whole sectors on the market can go up or down because one major company reports earnings a bit above or below what people who advise investors had told them to expect. Over weeks or months, perceptions about the general direction of the economy come into play, driving most stocks up or down despite any individual company's performance. Over a matter of years, however, most of how any individual company's stock performs is a function of how much money it makes. This is true for large public companies and even more true for private companies whose stock prices are set primarily by assessments of expected future earnings.

As an employee with a long-term interest in your employer, then, unless you plan to cash out soon your focus should be on the company's performance, not the performance of the market. Most employee ownership companies (but not all, of course) are solid performers with good long-term prospects. Outside of some start-up companies, companies with less certain futures generally are poor candidates to set up employee ownership plans in the first place. So follow the market if you are curious, but follow the company if you want to really know how you'll do as an owner. NCEO

Ways to Cut Energy Use in Your Business

The energy challenge facing businesses in California affects us all. The following ways to save electricity (and therefore see savings on your energy bill) are taken from the PG&E website www.pge.com and other sources.

Office Equipment

- Turn off PCs, monitors, printers, copiers, and lights every night and every weekend. If you can't turn off the whole computer, turn off the monitor and the printer.
- Use inkjet printers rather than laser printers to save up to 90 percent on printer energy costs.
- When purchasing PCs, monitors, printers, fax machines and copiers, consider Energy Star models that "power down" after a user-specified period of inactivity.
- If appropriate, use laptop computers -- they consume 90% less energy than standard desktop computers.
- If appropriate, use ink-jet printers -- they consume 90% less energy than laser printers.
- Implement paper reducing strategies such as double-sided printing and reusing paper.
- Use e-mail instead of sending memos and faxing documents.
- Purchase appropriately sized copiers for your company's needs.

Lighting

- Turn out lights in empty rooms. Turn down other lighting when possible.
- Retrofit T12 lights with magnetic ballasts to T8 lights with electronic ballasts.
- Retrofit incandescent light bulbs with compact fluorescent lights.
- Consider removing excess fluorescent lights and installing reflectors.
- Install motion detectors to control lighting in frequently unoccupied areas, such as restrooms & copy rooms.
- Retrofit incandescent or fluorescent exit signs with long-lasting, low-energy LED exit signs.
- Clean dusty diffusers and lamps every 6-12 months for improved lumen output.
- Rewire restroom fans to operate with the lights.

Remember that dark walls require more power to produce the same amount of light.

HVAC

- Consider replacing old HVAC systems with new energy-efficient systems.
- Install time clocks or setback-programmable thermostats to maximize efficiency.
- Install locking covers on your thermostats to prevent employee tampering with temperature settings.
- Clean condenser coils and replace filters regularly.
- Install blinds or solar screen shades to cool the office.
- Install reflective window film or awnings on all south-facing windows.
- Close shades or blinds during early morning and late evening to reduce solar insulation heat gain.
- For optimal energy savings, set thermostats at 78 degrees F for cooling in the summer and 68 degrees F for heating in the winter.
- Install ceiling and wall insulation.
- Insulate water heaters and supply pipes.

EXHIBIT 6

ESOP

KELLY-MOORE PAINTS™

PLOYEE STOCK OWNERSHIP PLAN

MIND OUR OWN BUSINESS

Volume II, Issue 3 October, 2001

Mind Our Own Business is the Newsletter for participants in the K-M Industries Holding Co., Inc. Employee Stock Ownership Plan for Kelly-Moore Paint Company, Inc.

ESOP DISTRIBUTIONS

On September 30, 2001, The ESOP is proud to have made its third year of distributions for personnel leaving the Company in 2000. The plan allows distributions now only for retirees over 65 years and for terminated personnel with vested balances less than $3,500.00. The total of the distributions in 2001 was $354,459.47. We wish these retirees well in enjoying their retirement benefits.

ESOP COMMUNICATIONS

Unfortunately, there are still individuals that we have had difficulty sending ESOP communications to due to changes of addresses, etc. If you know any individuals listed on the attached sheets, please have them call Debbie Culmer in our Human Resources Department at 650-592-8337 extension 187 so that they may receive information.

KELLY-MOORE PAINT COMPANY FINANCIAL NEWS

Sales through September of 2001 including the Kelly-Moore Ponderosa acquisition are up approximately 1% over the same period in 2000. Operating profit continues to be down in 2001. Reasons for the profit decline include: 1) Declining sales for the whole Company in five of the last seven months partially due to a tightening economy, 2) Margins and profits in certain outlying districts that are still not up to K-M standards and 3) Loss stores continue to drag on profits.

One item you may have noticed in the news in September is the large asbestos judgement against Kelly-Moore. Kelly-Moore is appealing the judgement, and it is believed that we should prevail on appeal. Kelly-Moore does have insurance to cover normal damages in this case. The Company works very hard to defend itself against asbestos litigation, but such litigation continues to be a concern to the financial health and the stock price of the Company. We hope that you will continue to work hard with us as we continue to fight those legal firms that unfairly target our Company with such litigation.

SUMMARY ANNUAL REPORT

Also attached is the Summary Annual Report as of December 31, 2000. Under the law, the Plan is required to furnish a Summary Annual Report in the attached format as of the end of the calendar year of the Plan.

EXHIBIT 191 Thomas 4-18-08

NEW RULES IN 2002 BETWEEN ESOP's AND 401K's

In conjunction with the new tax laws passed by Congress effective January 1, 2002, there are fewer limitations between 401K plans and ESOP's. This means that it is unlikely that in 2002, even at the highest 15% deferral into the 401K, that there will be any limitation to your ESOP contribution. Please see the attached article for more detailed examples.

Recently, you may have noticed new posters on the 401K plan in stores and factories. Retirement assets should be allocated among many things based on risk. Remember that the ESOP is not a separate "fund" like the 401K plan funds. The ESOP represents company shares. Payouts are dependent on a high stock price, sufficient profits, and sufficient assets and cash to make payments out of company operating funds. With less restrictions now on the 401K, serious thought should be given to the many choices of funds in the 401K plan, so that retirement funds consider various instruments and risk levels. To start your 401K plan call Corporate personnel at 650-592-8337 extension 187. If you have any changes to your 401K contribution level, it should be in to Corporate Personnel by 11-30-01.

QUESTIONS AND ANSWERS

Question: Remind us again, how does the ESOP work?

Answer: Our ESOP is a qualified retirement plan where if you are an eligible employee, you share in the Company's contribution if you complete 1000 hours of work in a calendar year with Kelly-Moore. The contribution is used to allocate shares through the ESOP to you, and lets you become an Employee Owner under the ESOP. The beauty is that you do not have to pay anything or have anything deducted from your paycheck to get your share. At the end of the year, there is an independent valuation done that is used to determine the value of the ESOP shares at that time. Payout usually occurs at retirement at age 65.

Question: I have worked for Kelly-Moore part time for more than a year since April of 2000, and I did not get a statement or any contribution. When will I get one?

Answer: You need to work more than 1000 hours in a calendar year. If you do that in 2001 and are eligible, you will receive a statement in 2002 showing your contribution.

Question: My statement shows vested % at 0% and vested interest value at $0.00. What does this mean?

Answer: If you didn't work 3 years (1000 hours in each of 3 years) through 2000, you have no vesting yet, meaning that if you leave you will forfeit your right to your shares. Vesting is 3 years 20%, 4 years 40%, 5 years 60%, 6 years 80% and 7 years 100%. Vesting is designed this way by the federal government to encourage an employee to stay with an employer, participate and contribute through a full year with the Company.

Returned ESOP Mail List

Please call Debbie Culmer at 650-592-8337 x 187 if you can help get information to these people.

Name	Last Work Location
Adams, Shannon	Bremerton
Almonte, Edwin	Killeen
Anselmo, Gerald J.	Oakland Telegraph
Apodaca, Frank	Santa Rosa 4th St.
Arias, Rudolph	Alum Rock
Armstrong, Charl	Phoenix
Arends, Kenneth	Santa Rosa Roberts
Awuku, Kwame	Concord
Baldemor, Jose N.	Guam
Barry, Sean P.	Vallejo
Benneth, Steve	Beaverton
Bibbs, Charles	Hayward
Bintz, Steven	Flagstaff
Blanco, Guillemo A.	Seattle Airport
Bossarte, Robert Y.	Tempe
Brewer, Christopher	Abilene
Brewer, W.C. Jr.	Antioch
Briscoe, Tyrone	Walnut Creek
Brock, Jerry F.	Amarillo
Brown, Denise H.	Kent
Bryan, Christopher	Vallejo
Butler, Christopher	Amarillo
Campbell, David C.	Ft. Worth Alta Mere
Canfield, Verna M.	Livermore
Carter, Chris J.	Bremerton
Cashion, Michael	Austin Burnet
Casias, Roy A. Jr.	Tempe
Charlebois, Audie J.	Chandler
Chavarria, Alfonso	San Jose Auzerais
Cisneros, Stephen	Odessa
Clarke, Norman F.	Camp Wisdom
Clemons, Mark	Seaside
Cole, Austra K	Lawton
Coody, Ben M.	Mt.View Fairchild
Corley, Freddie	Seattle Airport
Cravanas, John J.	Hayward
Crews, Kenneth J.	Aurora
Crum, William J.	Kent
Cuse, Karsen L.	Reno
Dahlen, Travis S.	San Jose Blossom Hill
De Anda, Yvonne	Tempe
Decelles, Christie M.	Everett

Name	Last Work Location
Docherty, Hal	Anchorage
Drummond, Wilson	Austin Victory
Duggings, Damon	Olympia
Earley, Christopher	Santa Cruz
Ellison, Brandon	Austin Victory
Faeo, Anthony	Anchorage
Flores, Carlos	Vallejo
Flores, Richard	Mt. View El. Camino
Forth, Carmen	Tempe
Garcia, Gus	Hurst
Garcia, Ernest	South San Francisco
George, Stewart B.	Austin Burnet
Gest, Scott A.	Kirkland
Godines, Robert L.	San Angelo
Gomez, Ernesto	Bellaire
Gonzales, Francis	Garland Rd.
Goodman, Robert	San Jose Bascom
Gracey, Margaret A.	Hurst
Gray, Daniel L.	Oaklahoma City
Greenblatt, Zack A.	Seattle Aurora
Greenwood, Donald	Carmichael
Griffin, Issac K.	San Jose Alum Rock
Guzy, Jason E.	San Jose Bascom
Ham, John C.	Walnut Creek
Harrington, Scott D.	Sacramento 65th St.
Hart, David	Mesa
Hayes, Helen	Mt. Vernon
Heilman, Jerry	Seattle Airport
Heinrich, Susan	Tracy
Henderson, Ethan	Anchorage
Hill, Darryl	San Jose Blossom Hill
Hull,Taylor	Seattle Airport
Jackson, Jed	Flagstaff
Jenkins, Randall S.	Rancho Cordova
Johnson, David A.	San Mateo
Johnson, Kevin	Modesto
Johnston, Glenn E.	San Francisco 4th St.
Jones, Ali O.	San Lorenzo
Jones, Freddy E.	Tempe
Jordan, Steven	Ft. Worth Seminary
Kaczmarch, Rodd	Hurst
Kellum, Joseph	Plano
Kelly, Jeffrey V.	Fort Collins

KMH 010686

Name	Last Work Location
Khachi, Jeff J.	San Jose Blossom Hill
Kievit, Timothy J.	Webster
KinCanon, Angelique	Sacramento Florin
Kytola, Stephen D.	Puyallup
Lacour, Benjamin D.	Keller
Lane, Larry	Northwest
Lawther, William	San Francisco Divisadero
Lemay, Joseph J.	Santa Rosa 4th St.
Levin, Craig J.	Boulder
Lewis, Shawn D.	Denison
Liu, Janice	San Carlos
Lobue, Steven D.	Ukiah
Lopez, Cinda	San Carlos
Lowther, William	South San Francisco
Luong, Karen K.	San Francisco Divisadero
Lyons, Maurice	Oakland International
Mahaffey, Brain	San Carlos
Mannering, Matthew	Dublin
Martinez, Jesus S.	Lubbock
Martinez, Mark V.	San Angelo
Massaker, Brian L	Tulsa
McClahan, Roland	Bellaire
McKinney, Kamarlo	Oakland Telegraph
McLaughlin, Joseph	San Carlos
Meyer, Carlos R.	San Rafael
Miller, Brian	San Francisco 4th St.
Miller, Michael A.	Farmers Branch
Noecker, Stephen	Tempe
O'Neal, Scott	Walnut Creek
Olive, Stan E.	Tempe
Owen, Timothy A.	Phoenix
Palacios, Dorothy C.	Austin Victory
Parker, Nathan	Flagstaff
Patrick, Gordon	Arlington
Pearson, Karen	Sacramento 65th St.
Pendergraph, Devon	Hurst
Perez, David	Ft. Worth Alta Mere
Pheng, Sokchea	San Lorenzo
Phillips, Dave D.	Bremerton

Name	Last Work Location
Pittman, Brenda	Tyler
Plank, Adam	Santa Rosa 4th St.
Puhlovski, Berisl	San Francisco Cesar Chavez
Ramos, Abel Mr.	Austin Burnet
Rentschler, Eliza K.	San Carlos
Richards, Royce A.	Tempe
Rivera, Richard	San Jose Auzerais
Roberts, Danny F.	So. San Francisco
Sanchez, Joseph M.	Midland
Sandoval, Paul A.	Tempe
Santos, Fernandez	Austin Victory
Sapien, Jose Tommy	Tempe
Schiska, Michael L.	Hurst
Schulz, Tonya A.	Carmichael
Semere, Zeraserva	Seattle Airport
Shackleford, Jason	Tempe
Shepherd, Alan	Seminary
Shepard, Nick	Mt. View Fairchild
Silva, Christian	Santa Clara
Smith, Kevin A.	Sparks
Soto, Ray	San Carlos
Steppy, Richard W.	Hurst
Storkel, Erle W.	Fairbanks
Sullivan,Cecilia R.	Bremerton
Taff, Benjamin F.	Bremerton
Talkington, Christian	Tulsa
Taylor, Bruce	Taylor
Teasley, Alonzo	San Pablo
Tillman, Lee M	Seattle Airport
Trujillo, Adrian	Ft. Collins
Tucker, Brad C.	Arlington
Underwood, Luther	Odessa
Wade, Everett	Hayward
Wheeler, Mindy k.	Richmond
Whiteside, Dwayne	Fairfield
Willis, Richard Mr	Antioch
Winston, Mary D.	San Lorenzo
Wolfe, Ronnie	Millbrae

What Happened to My 401(k) – and Why It Might Be Back

"I've got great news!," your manager says. "You're going to have an employee stock ownership plan (ESOP). You don't pay anything into it; the company funds it entirely." Sounds good so far. "But there's some bad news too. We won't be able to let you put anything into the 401(k) plan for a while, and our match will have to be suspended too."

What's going on here? And why might this all change with the new tax law?

Those Pesky Rules

Most of the time, the suspension of a 401(k) plan is not because your company wants to do away with the plan. In fact, ESOP companies are *more* likely to have 401(k) plans than non-ESOP companies. But in some ESOPs, it's just not possible.

Current (2001) law requires that no one employee can get more than 25% per year in "annual additions" to their employee retirement accounts. That means that all the company contributions to an ESOP, a 401(k) plan, a retirement-oriented profit sharing plan, and similar plans have to be added together *along with what you defer to the 401(k)*. So if the company puts 20% into an ESOP, you could still put 5% into a 401(k). But if the company is "maxing out" at 25% of pay to the ESOP, there's no room left for you to defer salary into the 401(k). Moreover, the company can only deduct a maximum of 25% of pay into the ESOP and 401(k) combined, *and this counts what you personally defer*.

In many ESOPs, it is necessary for the company to make the full 25% of pay contribution because it is using the ESOP to buy out an owner. That's because there is often a lot of stock to acquire relative to the payroll of employees in the ESOP, and every allowable dollar has to be used to make the transaction possible. The result is that the company can't legally allow you to contribute to the 401(k). As explained later, the new law will change all this.

I Can, But the Company Can't

In other cases, the 401(k) plan is kept, but the company no longer makes a cash match to it. It may match in the form of an allocation from the ESOP, or just drop the match altogether. Here the legal prohibition may not be the issue. The company has "room" to make matches outside the ESOP, it just doesn't have the money. In order to fund the ESOP, something may have to give, and the most likely candidate is the company match because the employees now are getting an ESOP contribution instead. But employees can still defer their pay into the 401(k) plan, although there may be a limit on how much they can put in.

> *Most of the time, the suspension of a 401(k) plan is not because your company wants to do away with the plan. In fact, ESOP companies are more likely to have 401(k) plans than non-ESOP companies. But in some ESOPs, it's just not possible.*

It's Not Such Bad News

The good news is when the 401(k) is suspended, it is usually only a temporary situation. True, in the meanwhile you have lost the opportunity to have put away some of your own money before tax in diversified investments, but you are getting a much larger contribution of the company's money into your ESOP account. So you can afford to save some of your own money outside the ESOP. A Roth IRA is a very good choice. You don't get a tax deduction for what you put in, but the money you make in the plan builds up tax free and, better yet, you take it out tax free.

If the company ends the match, the news is more mixed — you are giving something up for the ESOP. But in almost all cases, the ESOP contribution is greater than what the old match was. Moreover, the ESOP may prevent your company from being sold to someone else.

In either case, you need to recognize that even though you are probably getting a significant increase in the company's contribution to your retirement plans, an ESOP is not diversified. You need to make sure you have enough other money put away so that if the ESOP does not do as well as expected, you won't end up in financial difficulty.

The New Tax Law

The new tax law will change these issues dramatically, starting next year. Basically, the company will now be able to deduct up to 25% of pay for contributions to the ESOP, but will not have to count your deferrals into the 401(k) plan against this amount, as it now does. Moreover, the limit on annual additions to an employee accounts will go up from 25% of pay to 100% of pay. What this means is that companies legally can put in the maximum 25% of pay into your ESOP, and, in all but a few cases, you can defer any percentage of your pay you like up to the new maximum dollar limits, which will gradually rise from $11,000 next year to $15,000 in 2006. Of course, what a company and what you put into the plan are also a function of what you both can afford, but at least the rules now make life a lot easier. NCEO

SUMMARY ANNUAL REPORT FOR K-M INDUSTRIES HOLDING CO., INC. ESOP FOR THE PERIOD JANUARY 1, 2000 THRU DECEMBER 31, 2000

This is a summary of the annual report for the K-M Industries Holding Co., Inc. ESOP, EIN 94-1230192, Plan No. 002, for the period January 1, 2000 through December 31, 2000. The annual report has been filed with the Pension and Welfare Benefits Administration, U.S. Department of Labor, as required under the Employee Retirement Income Security Act of 1974 (ERISA).

Basic Financial Statement

Benefits under the plan are provided through a trust fund. Plan expenses were $16,241,566. These expenses included $289,908 in benefits paid to participants and beneficiaries and $15,951,658 in other expenses. A total of 2,024 persons were participants in or beneficiaries of the plan at the end of the plan year, although not all of these persons had yet earned the right to receive benefits.

The value of plan assets, after subtracting liabilities of the plan, was $(74,380,627) as of December 31, 2000, compared to $(62,171,571) as of January 1, 2000. During the plan year the plan experienced a decrease in its net assets of $12,209,056. This decrease includes unrealized depreciation in the value of plan assets; that is, the difference between the value of the plan's assets at the end of the year and the value of the assets at the beginning of the year or the cost of assets acquired during the year. The plan had total income of $4,032,510 including employer contributions of $23,353,990 and earnings from investments of $(19,321,480).

Your Rights To Additional Information

You have the right to receive a copy of the full annual report. To obtain a copy of the full annual report, or any part thereof, write or call the office of William E. Moore who is Trustee, K-M Industries Holding Co., Inc., 987 Commercial Street, San Carlos, CA 94070, (650) 592-8337. The charge to cover copying costs will be $3.50 for the full annual report, or 25 cents per page for any part thereof.

You also have the right to receive from the plan administrator, on request and at no charge, a statement of the assets and liabilities of the plan and accompanying notes, or a statement of income and expenses of the plan and accompanying notes, or both. If you request a copy of the full annual report from the plan administrator, these two statements and accompanying notes will be included as part of that report. The charge to cover copying costs given above does not include a charge for the copying of these portions of the report because these portions are furnished without charge.

You also have the legally protected right to examine the annual report at the main office of the plan (987 Commercial Street, San Carlos, CA 94070) and at the U.S. Department of Labor in Washington, D.C., or to obtain a copy from the U.S. Department of Labor upon payment of copying costs. Requests to the Department should be addressed to: Public Disclosure Room, Room N5638, Pension and Welfare Benefits Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington, D.C. 20210.

EXHIBIT 7

ESOP
EMPLOYEE STOCK OWNERSHIP PLAN

KELLY-MOORE PAINTS™

MIND OUR OWN BUSINESS

Volume III, Issue 4 December, 2001

Mind Our Own Business is the Newsletter for participants in the K-M Industries Holding Co., Inc. Employee Stock Ownership Plan for Kelly-Moore Paint Company, Inc.

PROFITABILITY AFFECTS YOU AND YOUR ESOP

With the slow economy, it is even more important to get that extra sale and to make sure that it is the most profitable sale ever. Continue to try and avoid waste whether it is mixing and tinting paint or using supplies efficiently. Profitability is one of the main items that affects the ESOP share price. If profitability is down, it may correspond that the ESOP share price goes down. Remember that the appraiser looks at current profits, potential profits, asset and debt levels, and market valuation of other paint companies and other items in determining the share price of your ESOP.

KELLY-MOORE PAINT COMPANY FINANCIAL NEWS

Sales through November of 2001 are up approximately 1.5% over the same period in 2000. Operating profits continue to be down in 2001. Remember everything that you do including how you service your external or internal customers may help with one more sale. Increasing sales is one key way to increase profits. Reasons for the profit decline include: 1) Slow sales at less than 2% increase for the year while costs have risen at a much higher rate, 2) Margins and profits in certain outlying districts that are still not up to K-M standards, 3) Loss stores continue to drag on profits and 4) Costs associated with asbestos and related litigation continue to mount.

One item we mentioned in the last newsletter was the large asbestos judgement against Kelly-Moore. We believe we had done nothing wrong in this case, but decided that fighting the case would rack up significant attorney fees very quickly. Even though we believe we could have won on appeal of the case, Kelly-Moore fully settled this case out of court to avoid a costly and protracted legal battle. Kelly-Moore has insurance to fully cover the settlement cost. The Company continues to work very hard to defend itself against asbestos litigation, but such litigation continues to be a concern to the financial health and the stock price of the Company. Please continue to assist us as we fight those legal firms that unfairly target our Company with such litigation.

NEW STORES

Opened since the last report was a store in **Colorado Springs**. It is the **Colorado Springs – Northpark** store. It was opened on December 19, 2001. Opening new stores that provided highly profitable sales was one very positive aspect for Kelly-Moore in 2001 when facing a very tough economy.

EXHIBIT
192
Thomas 4-18-08

EXHIBIT 8

ESOP
KELLY-MOORE PAINTS™
EMPLOYEE STOCK OWNERSHIP PLAN

MIND OUR OWN BUSINESS

Volume IV, Issue 1 February, 2002

Mind Our Own Business is the Newsletter for participants in the K-M Industries Holding Co., Inc. Employee Stock Ownership Plan for Kelly-Moore Paint Company, Inc.

STORE CHANGES

The Company has made certain adjustments in store levels by closing stores that were now in a poor location, had limited chance for future financial success, or were close to a nearby location that could better handle our customers needs. The stores closed were Tomball, Texas, Phoenix-North 19th Ave. and the Boise- Aeronca store. In each of these 3 cases, the business was transferred to other stores only a few miles away where it could be handled more profitably. Unfortunately, consolidations are sometimes painful because they affect our Kelly-Moore employees. Adjustments need to be made though when there is limited opportunity for long-term future success and profitable operations.

Another change made after looking at our long-term strategy was to sell our Guam store. Although we made more profit than not over the 6 years that we were there, these profits were becoming more elusive. In the long run it did not make sense to commit assets and management attention away from our core important markets where we excel. These key markets are the Western and Southwestern United States. The store was sold to Frank Guererro, the store manager of many years. It will remain a dealer of Kelly-Moore products. So, in a sense we gain the best of the situation – we don't have to put our assets or management time and attention in a far away place and we can continue to sell Kelly-Moore Paint as a dealer with less management involvement.

Kelly-Moore continues to look for opportunities that will provide new profitable growth. We have been very successful with some of our new stores that have provided great profit in the first year of business. These stores include the San Francisco-Taraval store, the Santa Clara store and our Sonora, California store. In all cases we tapped both under served markets and markets where we were already delivering to customers. We are very proud of the success that our Kelly-Moore people have brought to these stores by their hard work.

EXHIBIT
193
Thomas 4-18-08

In looking for new store opportunities, we have considered taking over competitors' locations to enlarge our market presence if it made sense financially. Normally opportunities like these occur only after lengthy negotiations. Because of 2 of these opportunities, we now have 2 new stores. One is in growing North Colorado Springs, Colorado where we took over a location from Dunn-Edwards/Wellborn. The store opened December 19, 2001. The second opportunity is a location that we took over from Deen Pierce Paint. It is located in Pleasant Hill, California, not far from our long time Walnut Creek, CA location. This store has a planned opening date of March 1, 2002.

We still have other stores planned for opening. We own the property in Elk Grove, CA near Sacramento. Governmental complications outside of the Company control and extremely wet weather conditions continue to prevent timely construction. We still hope to have a store here soon. We also have a letter of intent to open up a store in Vacaville, CA near Fairfield on the I-80 corridor. We hope to have this store open by May 1, 2002. The Company is also currently evaluating other location opportunities where we hope to find quality profitable growth in under served markets.

ASBESTOS LITIGATION

Asbestos litigation continues to challenge the Company. The Company continues to fight or settle the lawsuits where appropriate. In the final quarter of 2001, over $10 million was paid out with respect to asbestos claims. These costs have been covered by the company's insurance policies. The Company is vigorously proceeding against its various insurance carriers to assure coverage for these asbestos related claims. As the asbestos litigation continues against the Company, our current belief is that the litigation is likely to depress the stock price of the Company, which would affect the value of your ESOP account.

KELLY-MOORE PAINT COMPANY PRELIMINARY FINANCIAL RESULTS

Sales through December of 2001 were up approximately 0.8% over the same period in 2000. Operating profits (those profits from operating the stores and factories, exclusive of asbestos, ESOP contributions, interest taxes and gains on asset sales) were down by about 12%. The economy, loss stores and certain under performing markets had the biggest effect on these results. In January 2002, sales were down by about 2.1%.

NEW RULES IN 2002 BETWEEN ESOP's AND 401K's

In conjunction with the new tax laws passed by Congress effective January 1, 2002, there are fewer limitations between 401K plans and ESOP's. This means that it is unlikely that in 2002, even at 15% or higher deferral into the 401K, that there will be any limitation to your ESOP contribution.

A friendly reminder is that your 401k allows you to diversify your assets beyond what you have in your ESOP. This year tax laws have increased the limits on 401k accounts from $10,500.00 to $11,000.00. In addition for those over 50 years old, an additional $1,000.00 can be deferred. Specific details on the additional deferral are still to come.

EXHIBIT 9

ESOP

KELLY-MOORE PAINTS™

'LOYEE STOCK OWNERSHIP PLAN

MIND OUR OWN BUSINESS

Volume IV, Issue 2 June, 2002

Mind Our Own Business is the Newsletter for participants in the K-M Industries Holding Co., Inc. Employee Stock Ownership Plan (ESOP) for Kelly-Moore Paint Company, Inc.

ESOP STATEMENTS

The December 31, 2001 ESOP statements are now being distributed. Those persons with activity in their accounts received statements. Only eligible employees that worked over 1000 hours for Kelly-Moore in 2001 received a contribution for 2001.

KELLY-MOORE CONTRIBUTION TO THE ESOP

A total of **$23,591,107.91** has been put into our ESOP for 2001. This includes a contribution out of Kelly-Moore profits of $17,687,666.99, a tax-deductible dividend out of profits of $5,548,981.45 and a contribution of $354,459.47 to pay retirees over 65 years old and to pay terminated employees' vested balances that were less than $3,500.00. Excluding the amounts paid to retirees and terminated employees, a full $23,236,648.44 was used to pay down the principal and interest on the ESOP loan from Kelly-Moore. Remember that this was the loan that was used to buy the original stock. As the ESOP loan is paid down each year, a portion of the shares is released to be allocated to employee shareholder accounts. The release is calculated by taking the current principal and interest on the loan payment of $23,236,648.44 divided by the total of principal and interest of all the loan payments (which go on from 1998 to 2012 or 15 years) of $347,460,310.84. This result is then multiplied by the 33,745,455 shares in the ESOP. This allows for a release of approximately **2,256,750.63** shares to employee shareholder accounts for 2001.

SHARE VALUE

At December 31, 2001, the valuation from the independent appraiser decreased by 11.5% to **$3.45** per share. This is the value that is used to value both old and new shares on the 2001 statements. Remember the stock price may go up or down based on many factors. Among other things, the appraiser looks at current profits, potential profits, asbestos and other litigation, asset levels, debt levels, market valuations of other paint companies and other items.

EXHIBIT
194
Thomas 4-18-08

YOUR PORTION OF THE SHARE ALLOCATION

The shares allocated to you this year is on a multi-step process based on your 2001 total earnings. It is included on the investment line on your statement. There were allocation calculations for stock purchased back from terminated and retired participants, contribution principal, contribution interest, and 2 calculations for dividends. In addition, the investment line includes the unrealized gain or loss this year on the change in stock value at 12-31-01. The main reason why the increase is less than prior years is that while the contribution brought most account values up, the decline in stock value brought them down.

FORFEITURES

Again this year, you may see activity on the forfeiture line. Forfeitures arise from participants who terminate before they are fully vested. If you see a negative amount on this line, it represents the amount you lost from terminating your employment before your shares were fully earned and vested. Alternately, if you see a positive amount on this line, this is the portion of terminated participants forfeited shares that have been reallocated to you. A total of **384,443.38** forfeited shares at $3.45 per share totaling **$1,326,329.67** were reallocated to participants eligible for contributions. Remember that unless **YOU** stay at Kelly-Moore and become 100% fully vested, you lose your nonvested shares when you terminate. These shares are then split up and reallocated to other participants.

RISK RELATING TO ESOP INVESTMENTS

The Kelly-Moore portion of the ESOP's assets by design were and are invested only in Kelly-Moore shares. There continues to be risk in the ultimate value of the Kelly-Moore shares due to substantial ongoing asbestos litigation. Depending on the results of this litigation, there could be a severe effect to the value of the shares. Because of this risk, individuals should consider diversification of their retirement assets by not having all retirement assets in one plan with concentrated risk. This can be done by participating in other retirement vehicles such as 401K plans, IRA's, Roth IRA's and other plans that provide additional diversification of total retirement assets.

KELLY-MOORE PAINT COMPANY FINANCIAL NEWS

Sales through May of 2002 are down by approximately 0.5% over the same period in 2001. Consider what you can do to have your customer bring in one more additional sale or what you can do to bring one more dollar to the bottom line.

K-M Industries Holding Co., Inc.
Employee Stock Ownership Plan
Participant Statement Glossary

1. SHARES – The number of shares of K-M Industries Holding Co., Inc. Series P-B allocated to your account. The Series P-A and P-B shares represent all of the interest in Kelly-Moore Paint Company. The Series P-A represents the 58% of Kelly-Moore owned by Mr. & Mrs. Moore. They are basically the same as P-B except that they have less dividend rights than Series P-B. The ESOP has the Series P-B shares representing 42% of Kelly-Moore Paint Company. They have additional dividend rights, which makes it easier to make ESOP contributions.

2. VALUE OF SHARES – The fair market value of the shares at the statement date.

3. CONTRIBUTIONS/INVESTMENTS – Your portion of the shares released made possible by the contribution by Kelly-Moore Paint Company, Inc. It also includes any unrealized gain or loss from the change in stock value.

4. FORFEITURES – The non-vested account balances from terminated employees, which are reallocated to other participants. In certain instances, upon reemployment, forfeited portions of accounts may be restored. Please see summary plan document.

5. DISTRIBUTIONS - The amount of any distributions you have received during the plan year, due to retirement or termination with an account balance less than $3500.00., etc.

6. VESTED PERCENTAGE – The percentage of the account that you have earned by virtue of your length of service to the company. This percentage relates directly to your Plan Years of Service shown at the right of the document.

7. VESTED INTEREST VALUE – The value of your vested (earned) balance of your account. The vested portion of your account is yours and cannot be lost through forfeiture, but may increase or decrease based on stock price change.

8. PER SHARE VALUE AS OF 12/31/01 – The fair market value of one share of K-M Industries Holding Co., Inc. Series P-B. An independent appraiser values this stock on an annual basis.

9. PARTICIPANT STATUS – NP is a new participant.
   B1, B2, DD, TA, TE, TI are participants who have terminated.
   CP and PA are continuing participants.
   PD is a participant paid in full due to being fully vested at retirement.
   PX is a participant who has forfeited balances due to lack of vesting.
   RH is a participant who has both quit and then rehired since the start of the plan.
   RN is a participant who has retired after 65 years of age.

10. **ENTRY DATE** – Entry Date is the effective beginning of the plan year that you - become eligible to participate in the ESOP. There are no entry dates before the plan started effective 1/1/98. An employee's entry date is the beginning of the year in which he or she has 1000 hours worked in a calendar year at Kelly-Moore after 1/1/98.

11. **PLAN VESTING DATE** – Although the plan began in 1998, the plan allows you to accrue up to two prior years of service if you worked 1000 hours in 1996 or 1997 for Kelly-Moore. The plan vesting date will be one of four dates. If you worked 1000 hours in 1996, the plan vesting date will show 12/31/96. If the first year that you worked 1000 hours was in 1997, the plan vesting date will show 12/31/97. If the first year that you worked 1000 hours was 1998, 1999 or 2000, the plan vesting date will show 12/31/9, 12/31/99 or 12/31/00. Finally, if the first year that you worked 1000 hours was 2001, the plan vesting date will show 12/31/01.

12. **PLAN YEARS OF SERVICE** – The total number of Years of Service you have with Kelly-Moore as of 12/31/01 starting from 12/31/96. A year of Service is a Plan Year in which you have 1000 Hours of Service.

13. **VESTING HOURS** – The number of Hours of Service that you worked during the plan year. This number is only used to determine whether the minimum 1000 hours of service was reached for eligibility and vesting.

14. **PLAN RETIREMENT DATE** – This is the date of retirement at age sixty-five (65). Although you are not required to retire at 65 under the plan, you are eligible to receive a distribution not later than one year after the plan year-end when you retire at least age 65.

Note: This is only a brief explanation of major terms used here. If any more detailed information is needed, please refer to your Summary Plan Description. The actual Plan and Trust Documents govern at all times. If you need a copy of the Summary Plan Description, please request a copy from Corporate Personnel.

EXHIBIT 10

ESOP

KELLY-MOORE PAINTS™

EMPLOYEE STOCK OWNERSHIP PLAN

MIND OUR OWN BUSINESS

Volume IV, Issue 3 October, 2002

Mind Our Own Business is the Newsletter for participants in the K-M Industries Holding Co., Inc. Employee Stock Ownership Plan for Kelly-Moore Paint Company, Inc.

GETTING DOWN TO THE BASICS

Making the highest quality paint and providing awesome customer service are the main ingredients to making Kelly-Moore successful. Remember these basic items and keep in mind that the customer comes first in doing your daily job.

ESOP DISTRIBUTIONS

On September 30, 2002, The ESOP is proud to have made its fourth year of distributions for personnel leaving the Company in 2001. The plan allows distributions now only for retirees over 65 years and for terminated personnel with vested balances less than $3,500.00. The total of the distributions so far in 2002 was $302,600.91. We wish these retirees well in enjoying their retirement benefits.

KELLY-MOORE PAINT COMPANY FINANCIAL NEWS

Sales through September of 2002 are down approximately 0.3% over the same period in 2001. Operating profit continues to be down in 2002. Reasons for the profit decline include: 1) Sales for some areas of the Company have not yet picked up due to strong competition and a tight economy 2) Margins and profits in certain outlying districts continue to be below K-M standards and 3) Certain stores with extreme losses continue to drag on profits. Overall profit is down in part, but primarily due to settlements and defense costs relating to asbestos litigation as discussed on the back of this page.

SUMMARY ANNUAL REPORT

The Summary Annual Report as of December 31, 2001 is attached.

STORE CHANGES

Kelly-Moore has continued to make adjustments to store levels as dictated by markets. Kelly-Moore closed or sold a few stores that were struggling and gave no indication of being successful in the foreseeable future. Kelly-Moore has charged ahead with other opportunities at the same time that appeared to have great profit potential. In March, the Pleasant Hill Store in California was opened after obtaining the location from a competitor. The Vacaville, California location was opened in June. Then in August, a store was opened in New Braunfels, Texas. These three stores have shown immediate successes. Also planned are stores in Elk Grove, Brentwood, Turlock and Palo Alto California.

EXHIBIT
195
Thomas 4-18-08

ASBESTOS LITIGATION

Kelly-Moore continues to be a defendant in asbestos litigation. Currently there are over 30,000 claims against the Company. The allegations arise from a product manufactured decades ago by a prior subsidiary called Paco Textures Corporation. The manufactured product was joint compound that contained asbestos.

Kelly-Moore has insurance policies that to date have provided coverage for asbestos litigation. However, Kelly-Moore has been consuming applicable coverage amounts from these policies at a rapid rate. In addition, due to the uncertain timing of payments from policies for claims, Kelly-Moore itself has significant settlement costs as well as monthly litigation costs affecting income this year.

Kelly-Moore continues to settle cases where it makes sense and vigorously contests or fights other cases in court where appropriate. However, these challenges are taking a large toll on cash and profits and are likely to have a major effect on the value of the shares held by the ESOP.

Kelly-Moore currently has a large lawsuit seeking damages against a previous vendor who supplied the asbestos used to make joint compound. The lawsuit is in its very early stages of preparation.

QUESTIONS AND ANSWERS

Question: Remind us again, how does the ESOP work?

Answer: Our ESOP is a qualified retirement plan, where if you are an eligible employee, you share in the Company's contribution if you complete 1000 hours of work in a calendar year with Kelly-Moore. The contribution is used to allocate shares through the ESOP to you, and lets you become an Employee Owner under the ESOP. You do not have to pay anything or have anything deducted from your paycheck. At the end of the year, there is an independent valuation done that is used to determine the value of the ESOP shares at that time. Payout usually occurs at retirement at age 65.

There is the potential that share values could go up or down. The ongoing asbestos litigation mentioned above provides significantly more risk to adversely affect the ESOP value. Because of this risk, individuals should consider diversification of their retirement assets by not having all retirement assets in one plan with concentrated risk. This can be done by participating in other retirement vehicles such as 401K plans, IRA's, Roth IRA's and other plans that provide additional diversification of total retirement assets.

SUMMARY PLAN DESCRIPTION ADDENDUM

Due to changes in Federal regulations, we were required to make legal changes to the Summary Plan Description (SPD). Please file the attached modification to your SPD.

Arends, Kenneth W.	SR. Roberts
Barker, Erin M.	N.B.D.O.
Bintz, Steve	Flagstaff
Brownley, Sherri Lyn	Antioch
Brundle, Carla	Carson City
Burge, Gary	San Fran (Divis)
Bush, ALeisha	Rohnert Park
Castillo, Ray A.	Plano
Charlebois, Audie	Chandler
Clarke, Norman	Camp Wisdom
Coffman, Aaron D.	Abilene
Cooper, Gary E.	Highland Ranch
Davis, Jerome Q.	Hayward
Demo, Jean C.	Highland Ranch
Eaton, David	Tempe
Egbert, Curt E.	Universal
Ellis, Christopher	Roseville
Fanely, Richard	Austin- Burnet
Flores, Richard	MV EL Camino
Franklin, Nehemiah	Bascom
Fuqua, Mike	Bascom
Gault, Branden J.	Phoenix
Hammer, Stephen C.	Garland Rd.
Henson, Jaqueline	Austin-Burnet
Honable, Angelo C.	San Rafael
Horner, James C.	Tucson
Jager, Melody	Boulder
Jefferson, Kelvin B.	Fremont
Jordan, Steve	Ft. Worth Seminary
Keller, Michael D.	Premier Drywall
Kievit, Timothy	Cedar Park
Klein, Scott	San Rafael
Lagrutta,, Bradley	Antioch
Lawrence, Timothy	Anchorage
Linear, Mario M.	Bascom
Luna, Jorge L.	Seaside
Mahaffey, Brian W.	San Carlos
Martinez, Hestroverto N.	San Angelo
Mata, Eddie	Bascom
Mc Call, Shane	Olympia
Meyer, Carlos	San Rafael
Morales, Jose	Houston-Airline

Mullen, Frances A.	Ft. Worth Alta-Mere
O'Neal Scott	Walnut Creek
Panyasawat, Bobby	Ft. Worth Alta-Mere
Patrick, Bonnie	Carmichael
Patterson, Tampatha	San Lorenzo
Pendergraph, Devon	Hurst
Perez, Jesse D.	Lodi
Phillip, Dave D.	Bremerton
Rose, Shril	Antioch
Ross, Leo Jr.	Houston- Bellaire
Santana, Vanessa V.	Corporate/Accounting
Scott, Clifton D.	Dallas Garland
Smith, Kevin A.	Sparks
Taylor, Bruce	Universal
Tedder, Carlton	Kirkland
Triplett, Donald R.	Irving
Turner, Daryl R.	So. San Francisco
Velo, Steven	S.J. Bascom
Wallway, John	Olympia
Ward, Jeffrey A.	Seattle Airport
Wolfe, Ronnie	Millbrae

ESOP COMMUNICATIONS

Unfortunately, there are still individuals that we have had difficulty sending ESOP communications to due to changes of addresses, etc. If you know any individuals listed on the attached sheet, please have them call Debbie Culmer in our Human Resources Department at 650-592-8337 extension 187 so that they may receive information.

SUMMARY ANNUAL REPORT FOR K-M INDUSTRIES HOLDING CO., INC. ESOP FOR THE PERIOD JANUARY 1, 2001 THROUGH DECEMBER 31, 2001

This is a summary of the annual report for the K-M Industries Holding Co., Inc. ESOP, EIN 94-1230192, Plan No. 002, for the period January 1, 2001 through December 31, 2001. The annual report has been filed with the Pension and Welfare Benefits Administration, U.S. Department of Labor, as required under the Employee Retirement Income Security Act of 1974 (ERISA).

Basic Financial Statement

Benefits under the plan are provided through a trust fund. Plan expenses were $15,345,115. These expenses included $697 in administrative expenses, $381,588 in benefits paid to participants and beneficiaries, and $14,962,830 in other expenses. A total of 2,212 persons were participants in or beneficiaries of the plan at the end of the plan year, although not all of these persons had yet earned the right to receive benefits.

The value of plan assets, after subtracting liabilities of the plan, was $(69,213,978) as of December 31, 2001, compared to $(74,380,627) as of January 1, 2001. During the plan year the plan experienced an increase in its net assets of $5,166,649. This increase includes unrealized depreciation in the value of plan assets; that is, the difference between the value of the plan's assets at the end of the year and the value of the assets at the beginning of the year or the cost of assets acquired during the year. The plan had total income of $20,511,764 including employer contributions of $23,128,221 and earnings from investments of $(2,616,457).

Your Rights To Additional Information

You have the right to receive a copy of the full annual report, or any part thereof, on request. The items listed below are included in that report:

1. an accountant's report;
2. financial information; and
3. assets held for investment.

To obtain a copy of the full annual report, or any part thereof, write or call the office of William E. Moore who is Trustee, K-M Industries Holding Co., Inc., 987 Commercial Street, San Carlos, CA 94070, (650) 592-8337. The charge to cover copying costs will be $3.50 for the full annual report, or 25 cents per page for any part thereof.

You also have the right to receive from the plan administrator, on request and at no charge, a statement of the assets and liabilities of the plan and accompanying notes, or a statement of income and expenses of the plan and accompanying notes, or both. If you request a copy of the full annual report from the plan administrator, these two statements and accompanying notes will be included as part of that report. The charge to cover copying costs given above does not include a charge for the copying of these portions of the report because these portions are furnished without charge.

You also have the legally protected right to examine the annual report at the main office of the plan (987 Commercial Street, San Carlos, CA 94070) and at the U.S. Department of Labor in Washington, D.C., or to obtain a copy from the U.S. Department of Labor upon payment of copying costs. Requests to the Department should be addressed to: Public Disclosure Room, Room N1513, Pension and Welfare Benefits Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington, D.C. 20210.

SUMMARY MODIFICATION MEMORANDUM
TO
K-M INDUSTRIES HOLDING CO., INC.
EMPLOYEE STOCK OWNERSHIP PLAN
SUMMARY PLAN DESCRIPTION

Except as specified, effective for all Plan Years beginning after January 1, 2002 the following changes are made to your Summary Plan Description ("SPD"). In some cases the modifications represent new provisions being added to your SPD. Other modifications represent changes to an existing provision of your SPD. When an existing provision of your SPD is amended, you may wish to cross out the old question and answer so that you do not confuse the old information with the new information.

The discussion under the heading "**TREATMENT OF DISTRIBUTIONS FROM YOUR PLAN**," has been revised as follows:

"Whenever you receive a distribution from your Plan, it will normally be subject to income taxes. You may, however, reduce, or defer entirely, the tax due on your distribution through use of one of the following methods:

"1. The rollover of all or a portion of the distribution to an Individual Retirement Account (IRA) or another qualified employer plan. This will result in no tax being due until you begin withdrawing funds from the IRA or other qualified employer plan. The rollover of the distribution, however, MUST be made within strict time frames (normally, within sixty (60) days after you receive your distribution). Under certain circumstances all or a portion of a distribution may not qualify for this rollover treatment. In addition, most distributions made after December 31, 1992 will be subject to mandatory federal income tax withholding at a rate of twenty percent (20%). This will reduce the amount you actually receive. For this reason, if you wish to roll over all or a portion of your distribution amount, the direct rollover described in paragraph 2 below would be the better choice.

"2. You may request for most distributions that a direct transfer of all or a portion of your distribution amount be made to either an Individual Retirement Account (IRA) or another qualified employer plan willing to accept the transfer. A direct transfer will result in no tax being due until you withdraw funds from the IRA or other qualified employer plan. Like the rollover, under certain circumstances all or a portion of the amount to be distributed may not qualify for this direct transfer. If you elect to actually receive the distribution rather than request a direct rollover, then in most cases (other than a distribution in the form of employer securities) twenty percent (20%) of the distribution amount will be withheld for federal income tax purposes.

"3. The election of favorable income tax treatment under 'capital gains' method of taxation, if you qualify.

"4. Any distribution in excess of $1,000 may be made by transferring the amount to be distributed to an individual retirement plan designated by the Plan Committee, unless the Participant or Beneficiary entitled to receive the distribution elects (1) to receive the distribution directly, or (2) to have the distribution paid directly to another Eligible Retirement Plan as described in Section 10 of the Plan. The requirement of this paragraph shall not be effective until the effective date of regulations issued by the Department of Labor with respect to the requirements of the Plan Committee's selection of individual retirement plans."

The following revised information is added to your Summary Plan Description:

"<u>WHEN IS THE PLAN REQUIRED TO BEGIN DISTRIBUTING YOUR PLAN BENEFITS</u>?

Pursuant to Section 401(a)(9) of the Code as amended by the Small Business Job Protection Act, distribution of your Plan Benefits is required to begin by April 1 of the calendar year following <u>the later of</u> (1) the calendar year in which you attain age seventy and one-half (70½) or (2) the calendar year in which you separate from service with the Employer. However, in the case of a five-percent (5%) owner (as defined in Section 416(i)(1)(B)(i) of the Code), distributions are required to begin no later than April 1 following the calendar year in which you attain age seventy and one-half (70½). All distributions made under this paragraph shall be determined and made in accordance with the treasury regulations under Section 401(a)(9) of the Internal Revenue Code.

EXHIBIT 11

ESOP

KELLY-MOORE PAINTS™

'LOYEE STOCK OWNERSHIP PLAN

MIND OUR OWN BUSINESS

Volume IV, Issue 4 December, 2002

Mind Our Own Business is the Newsletter for participants in the K-M Industries Holding Co., Inc. Employee Stock Ownership Plan (ESOP) for Kelly-Moore Paint Company, Inc.

FOCUS ON THE CUSTOMER

Kelly-Moore has recently made various changes in its organization structure to allow us to be more focused on the customer. Listening to what the customer needs and in turn providing awesome customer service will keep the customers with us and away from the competition. Ask yourself if you really went out of your way today to provide the best service to all your customers whether that customer is an internal, potential or an existing customer. Your actions or lack of effort make the difference in the customer's mind as to whether he or she will be back and provide us with sales in the future. Great customer service helps get profitable sales, which also can help our ESOP. Keep in mind that the customer comes first in doing your daily job.

KELLY-MOORE PAINT COMPANY FINANCIAL NEWS

Sales through November of 2002 are down approximately 0.2% over the same period in 2001. Operating profit continues to be down in 2002. Overall profit is down in part, but primarily due to settlements and defense costs relating to asbestos litigation.

ASBESTOS LITIGATION

Challenges from asbestos litigation continue to take a large toll on cash and profits and are likely to have a major effect on the value of the shares held by the ESOP. The ongoing asbestos litigation represents significant risk that could adversely affect the ESOP value. Because of this risk, individuals should consider diversification of their retirement assets by not having all retirement assets in one plan with concentrated risk. This can be done by participating in other retirement vehicles such as 401K plans, IRA's, Roth IRA's and other plans that provide additional diversification of total retirement assets. Easing of tax laws in 2003 can provide additional opportunities in these areas.

NEW STORES

Kelly-Moore expects to open a store in Brentwood, California in late January or early February 2003. A store in Elk Grove, California is expected to be opened by March or April 2003. A store in Turlock, California is planned for this summer. Also planned is a store in Palo Alto California.

EXHIBIT
196
Thomas 4-18-08

KMH 010703

EXHIBIT 12

ESOP

KELLY-MOORE PAINTS™

EMPLOYEE STOCK OWNERSHIP PLAN

MIND OUR OWN BUSINESS

Volume V, Issue 1 July, 2003

Mind Our Own Business is the Newsletter for participants in the K-M Industries Holding Co., Inc. Employee Stock Ownership Plan (ESOP) for Kelly-Moore Paint Company, Inc.

ESOP STATEMENTS

The December 31, 2002 ESOP statements are now being distributed. Those persons with activity in their accounts received statements. Only eligible employees that worked over 1000 hours for Kelly-Moore in 2002 received a contribution for 2002.

KELLY-MOORE CONTRIBUTION TO THE ESOP

A total of $23,571,787.85 has been put into our ESOP for 2002. This includes a contribution out of Kelly-Moore profits of $20,250,139.07, a tax-deductible dividend out of profits of $2,986,509.37 and a contribution of $335,139.41 to pay retirees over 65 years old and to pay terminated employees' vested balances that were less than $3,500.00. Excluding the amounts paid to retirees and terminated employees, a full $23,236,648.44 was used to pay down the principal and interest on the ESOP loan from Kelly-Moore. Remember that this was the loan that was used to buy the original stock. As the ESOP loan is paid down each year, a portion of the shares is released to be allocated to employee shareholder accounts. The release is calculated by taking the current principal and interest on the loan payment of $23,236,648.44 divided by the total of principal and interest of all the loan payments (which go on from 1998 to 2012 or 15 years) of $347,460,310.84. This result is then multiplied by the 33,745,455 shares in the ESOP. This allows for a release of approximately 2,256,750.63 shares to employee shareholder accounts for 2002.

SHARE VALUE

At December 31, 2002, the independent appraiser found the per share valuation decreased from $3.45 in 2001 to $2.5875. This is the value that is used to value both old and new shares on the 2002 statements. Remember the stock price may go up or down based on many factors. Among other things, the independent appraiser looks at current profits, potential profits, asbestos and other litigation costs, future asbestos litigation risk, asset levels, debt levels, market valuations of other paint companies and other items. Kelly-Moore had lower operating income from Paint Operations and had significantly higher costs relating to asbestos litigation in 2002 compared to 2001.

EXHIBIT
197
Thomas 4-18-08

KMH 000127

YOUR PORTION OF THE SHARE ALLOCATION

The shares allocated to you this year is on a multi-step process based on your 2002 total earnings. It is included on the investment line on your statement. In addition, the investment line includes the unrealized gain or loss this year on the change in stock value at 12-31-02. The main reason why final balances may be less than prior years is that while the contribution may have brought account values up, the decline in stock value brought them down.

FORFEITURES

Again this year, you may see activity on the forfeiture line. Forfeitures arise from participants who terminate before they are fully vested. If you see a negative amount on this line, it represents the amount you lost from terminating your employment before your shares were fully earned and vested. Alternately, if you see a positive amount on this line, this is the portion of terminated participants forfeited shares that have been reallocated to you. Remember that unless YOU stay at Kelly-Moore and become 100% fully vested, you lose your nonvested shares when you terminate. These shares are then split up and reallocated to other participants.

RISK RELATING TO YOUR ESOP ACCOUNT INVESTMENTS

The Kelly-Moore portions of the ESOP's assets by design were and are invested only in Kelly-Moore shares. There continues to be risk in the ultimate value of the Kelly-Moore shares due to substantial ongoing asbestos litigation. Depending on the results of this litigation, there could be further severe effect to the value of the shares. Because of this risk, individuals should consider diversification of their retirement assets by not having all retirement assets in one plan with concentrated risk. This can be done by participating in other retirement vehicles such as 401K plans (which now has a Company match), IRA's, Roth IRA's and other plans that provide additional diversification of total retirement assets.

KELLY-MOORE PAINT COMPANY FINANCIAL NEWS

Store sales through May of 2003 are down by approximately 2% over the same period in 2002. Sales for 2002 were about even with 2001 which indicates that the stores have not grown over the past 18 months. However the stores operating expenses are up 3.4% through the end of May. Continue to work together to increase sales and control expenses.

NEW TRUSTEE

A new independent Trustee, North Star Trust has been appointed as a Trustee for the ESOP. North Star will handle all fiduciary responsibilities. They will also handle all distributions as required independent of Kelly-Moore and the appraiser.

K-M Industries Holding Co., Inc.
Employee Stock Ownership Plan
Participant Statement Glossary

1. SHARES – The number of shares of K-M Industries Holding Co., Inc. Series P-B allocated to your account. The Series P-A and P-B shares represent all of the interest in Kelly-Moore Paint Company. The Series P-A represents the 58% of Kelly-Moore owned by Mr. & Mrs. Moore. They are basically the same as P-B except that they have less dividend rights than Series P-B. The ESOP has the Series P-B shares representing 42% of Kelly-Moore Paint Company. They have additional dividend rights, which makes it easier to make ESOP contributions.

2. VALUE OF SHARES – The fair market value of the shares at the statement date.

3. CONTRIBUTIONS/INVESTMENTS – Your portion of the shares released made possible by the contribution by Kelly-Moore Paint Company, Inc. It also includes any unrealized gain or loss from the change in stock value.

4. FORFEITURES – The non-vested account balances from terminated employees, which are reallocated to other participants. In certain instances, upon reemployment, forfeited portions of accounts may be restored. Please see summary plan document.

5. DISTRIBUTIONS - The amount of any distributions you have received during the plan year, due to retirement or termination with an account balance less than $3500.00., etc.

6. VESTED PERCENTAGE – The percentage of the account that you have earned by virtue of your length of service to the company. This percentage relates directly to your Plan Years of Service shown at the right of the document.

7. VESTED INTEREST VALUE – The value of your vested (earned) balance of your account. The vested portion of your account is yours and cannot be lost through forfeiture, but may increase or decrease based on stock price change.

8. PER SHARE VALUE AS OF 12/31/02 – The fair market value of one share of K-M Industries Holding Co., Inc. Series P-B. An independent appraiser values this stock on an annual basis.

9. PARTICIPANT STATUS – NP is a new participant.
   B1, B2, DD, TA, TE, TI are participants who have terminated.
   CP and PA are continuing participants.
   PD is a participant paid in full due to being fully vested at retirement.
   PX is a participant who has forfeited balances due to lack of vesting.
   RH is a participant who has both quit and then rehired since the start of the plan.
   RN is a participant who has retired after 65 years of age.

10. ENTRY DATE – Entry Date is the effective beginning of the plan year that you become eligible to participate in the ESOP. There are no entry dates before the plan started effective 1/1/98. An employee's entry date is the beginning of the year in which he or she has 1000 hours worked in a calendar year at Kelly-Moore after 1/1/98.

11. PLAN VESTING DATE – Although the plan began in 1998, the plan allows you to accrue up to two prior years of service if you worked 1000 hours in 1996 or 1997 for Kelly-Moore. The plan vesting date will be one of several dates. If you worked 1000 hours in 1996, the plan vesting date will show 12/31/96. If the first year that you worked 1000 hours was in 1997, the plan vesting date will show 12/31/97. If the first year that you worked 1000 hours was 1998, 1999, 2000 or 2001, the plan vesting date will show 12/31/98, 12/31/99, 12/31/00 or 12/31/01. Finally, if the first year that you worked 1000 hours was 2002, the plan vesting date will show 12/31/02.

12. PLAN YEARS OF SERVICE – The total number of Years of Service you have with Kelly-Moore as of 12/31/02 starting from 12/31/96. A year of Service is a Plan Year in which you have 1000 Hours of Service.

13. VESTING HOURS – The number of Hours of Service that you worked during the plan year. This number is only used to determine whether the minimum 1000 hours of service was reached for eligibility and vesting.

14. PLAN RETIREMENT DATE – This is the date of retirement at age sixty-five (65). Although you are not required to retire at 65 under the plan, you are eligible to receive a distribution not later than one year after the plan year-end when you retire at least age 65.

Note: This is only a brief explanation of major terms used here. If any more detailed information is needed, please refer to your Summary Plan Description. The actual Plan and Trust Documents govern at all times. If you need a copy of the Summary Plan Description, please request a copy from Corporate Personnel.

EXHIBIT 13

ESOP

KELLY-MOORE PAINTS

EMPLOYEE STOCK OWNERSHIP PLAN

MIND OUR OWN BUSINESS

Volume V, Issue 2

September 2003

Mind Our Own Business is the Newsletter for participants in the K-M Industries Holding Co., Inc. Employee Stock Ownership Plan for Kelly-Moore Paint Company, Inc.

STAY WITH THE BASICS

Making the highest quality paint and providing responsive customer service are the main ingredients to making Kelly-Moore successful. These are the main ingredients in bringing along more sales. Remember these basic items and keep in mind that the customer comes first in doing your daily job.

ESOP DISTRIBUTIONS

On September 29, 2003, The ESOP will make its fifth year of distributions for personnel leaving the Company in 2002. The plan allows distributions now for retirees over 65 years and for terminated personnel with vested balances less than $3,500.00. The total of the distributions expected in 2003 is $403,163.66. We wish these retirees well in enjoying their retirement benefits.

KELLY-MOORE PAINT COMPANY FINANCIAL NEWS

Sales through August of 2003 are down approximately 0.5% over the same period in 2002. This year's operating profit continues to be below 2002. Reasons for the profit decline include: 1) Sales for some areas of the Company have not yet picked up due to strong competition and a continuing sluggish economy, 2) Margins and profits in most districts continue to be below goal and below last year, 3) Expenses in certain districts continue to increase without any corresponding sales increases and 4) Certain stores with extreme losses continue to drag on profits. The viability of some of these locations is under continued review. Overall profit is still being weighed down by settlements and defense costs and other legal costs relating to asbestos litigation as discussed on the back of this page.

STORE CHANGES

Kelly-Moore continues to open stores in new markets where the stores are projected to realize an acceptable profit within a reasonable time frame. In February, the Elk Grove Store in California was opened. The Brentwood, California and Mesa, Arizona - Baseline stores were opened in March. Then in May, a store was opened in Turlock, California. Also planned to open in a couple of months are stores in Pleasanton and Palo Alto, California.

EXHIBIT
198
Thomas 4-18-08

KMH 010708

ASBESTOS LITIGATION

Kelly-Moore continues to be a defendant in asbestos litigation. Currently there are about 45,000 claims against the Company. The allegations arise from a product manufactured decades ago by a prior subsidiary called Paco Textures Corporation. The manufactured products were joint compounds that contained asbestos fibre.

Kelly-Moore has insurance policies that to date have provided some coverage for asbestos litigation. However, Kelly-Moore continues to consume applicable coverage amounts from these policies at a rapid rate. In addition, due to the uncertain timing of payments from policies for claims, Kelly-Moore itself has significant settlement costs as well as monthly litigation costs affecting income this year.

Kelly-Moore continues to settle cases where it makes sense and vigorously contests or fights other cases in court where appropriate. However, these challenges continue to take a large toll on cash and profits and are likely to have a major effect on the value of the shares held by the ESOP.

Kelly-Moore currently has a large lawsuit seeking damages against a supplier of asbestos fibre used to make joint compounds. The lawsuit is set for trial in October 2003.

QUESTIONS AND ANSWERS

Question: Remind us again, how does the ESOP work?

Answer: Our ESOP is a qualified retirement plan, where if you are an eligible employee, you share in the Company's contribution if you complete 1000 hours of work in a calendar year with Kelly-Moore. The contribution is used to allocate shares through the ESOP to you, and lets you become an Employee Owner under the ESOP. You do not have to pay anything or have anything deducted from your paycheck. At the end of the year, there is an independent valuation done that is used to determine the value of the ESOP shares at that time. Payout usually occurs at retirement at age 65.

There is the potential that share values could go down. The ongoing asbestos litigation mentioned above provides significantly more risk to adversely affect the ESOP value. Because of this risk, individuals should consider diversification of their retirement assets by not having all retirement assets in one plan with concentrated risk. This can be done by participating in other retirement vehicles such as 401(K) plans, IRA's, Roth IRA's and other plans that provide additional diversification of total retirement assets.

EXHIBIT 14

DECLARATION OF STEPHEN FERRARI

IN SUPPORT OF MOTION FOR SUMMARY JUDGMENT BY DEFENDANTS K-M INDUSTRIES HOLDING CO., INC., K-M INDUSTRIES HOLDING CO. INC. ESOP PLAN COMMITTEE AND CIG ESOP PLAN COMMITTEE

Exhibit 14

ENTIRE DOCUMENT SUBMITTED UNDER SEAL

CIVIL L.R. 79-5(b)

(BATES #EY000360 - EY000361)